

TOWNSHIP OF BREEN  
AUDITED FINANCIAL STATEMENTS  
March 31, 2006

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name Township of Breen		Unit <input type="checkbox"/> City <input type="checkbox"/> County <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village
Audit Date March 31, 2006	Opinion Date September 29, 2006	Accountant Report Submitted On: (date) September 30, 2006

We have examined the financial statements of this local unit of government and certify the following (except as disclosed in the financial statements (including notes) or in the report of comments and recommendations):

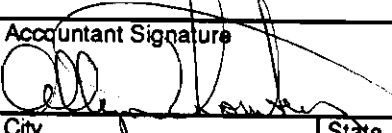
1. All component units/funds/agencies of the local unit are included in the financial statements.
2. There are not accumulated deficits in this unit's various fund balances.
3. We found no substantive instances of non-compliance with the Uniform Accounting and Budgeting Act.
4. The local unit has not violated the conditions of either an order issued under the municipal finance act or its requirements, or an order issued under the emergency municipal loan act.
5. There is no court ordered tax levy that has been ordered without governing body approval.
6. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.

In certifying the above, we affirm that:

1. We have complied with the "Bulletin for the Audits of Local Units of Government in Michigan" as revised.
2. We are certified public accountants registered to practice in Michigan.

A copy of our report and comments	<input checked="" type="checkbox"/> is enclosed	<input type="checkbox"/> will be forwarded	<input type="checkbox"/> is not necessary
A copy of our report on compliance with Federal Revenue Sharing Act	<input type="checkbox"/> is enclosed	<input type="checkbox"/> is not due for this year	<input checked="" type="checkbox"/> is not required because a Single Audit was performed
Copies of our reports on other federal assistance programs	<input type="checkbox"/> are enclosed	<input checked="" type="checkbox"/> are not required because a Single Audit was performed	

Report On: (reports required under the Single Audit Act of 1984)	ENCLOSED	TO BE FORWARDED	NOT REQUIRED
Internal accounting control based solely on a study and evaluation made as part of the audit of the general purpose or basic financial statements.			X
Compliance with the laws and regulations that may have a material effect on the financial statements.			X
Supplementary schedule of the entity's federal financial assistance programs showing total expenditures for each federal assistance program.			X
Accounting and administrative internal controls used in administering federal financial assistance programs.			X
Compliance with laws and regulations identifying all findings of non-compliance and questioned costs.			X
Fraud, abuse or an illegal act or indications of such acts.			X

Certified Public Accountant (Firm Name) Allyn G. Thornberry C.P.A.	Accountant Signature 		
Address (No. Street or RR) P. O. Box 373 200 Fairbanks	City Iron Mountain	State Mi.	ZIP 49801

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**ALLYN G. THORNBERRY**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**200 FAIRBANKS - POST OFFICE BOX 373**  
**IRON MOUNTAIN, MICHIGAN 49801**

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**TELEPHONE: 774-7220**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Supervisor and Township Board  
Township of Breen  
Dickinson County, Michigan

I have audited the accompanying general purpose financial statements of the Township of Breen as of and for the year ended March 31, 2006, as listed in the table of contents. The general purpose financial statements are the responsibility of the Township of Breen, State of Michigan's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township of Breen, State of Michigan as of March 31, 2006, and the changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 5 and 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Township of Breen, State of Michigan's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Breen, State of Michigan. Such

information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Allyn E. Thornberry", is written over the printed name.

Allyn E. Thornberry  
Certified Public Accountant  
September 29, 2006

**BREEN TOWNSHIP**  
**P. O. BOX 68**  
**FOSTER CITY, MI 49834**

**Management Discussion and Analysis**

Breen Township covers 61,440 acres, which includes land owned by the State of Michigan, Commercial Forest Reserve and private properties. It covers 88.3 square miles. Our population as of the 2000 census was 479 people.

Our township has a volunteer fire department that is funded by a levied millage. They have been busy with training and upgrading equipment. They have been successful in obtaining various grants that help in these matters. An idea to build a new township building that could house the fire dept., township offices and election center in Foster City is in the early stages. The fire department also provides fire protection coverage for the north part of Waucedah Township as to our contract with them. The Tri-Ambulance and Rescue Rig continues to be housed in our township fire hall. They are funded by Breen, Felch and West Branch Townships.

The township Roads Fund was depleted some by the paving of the Oakes Road east of Hardwood. The next project will be the Bauer Road in Fordville.

Expansion of the Breen Township Cemetery was done on the east end. The new section has to be surveyed before lots can be sold there. It has been improved by the donation and installation of U.S. Flags and poles that line the roads entering the cemetery.

Highway M69 from Randville to Schaffer was renamed Oscar G. Johnson Memorial Highway. A memorial in Mr. Johnson's honor was placed by the highway between the two churches in Foster City. This is a great way to remember the Upper Peninsula's only Medal of Honor winner.

Breen Township Recreation monies were used to help the areas Fun League and T-Ball baseball teams. It was also used to enlarge the ice rink at Morgan Park in Foster City.

Naterra Land Development Company purchased property on Fordville Rd. next to the Sturgeon River with plans to develop it into house lots. The Foster City gas station and grocery store closed which was a sad time for many local residents. The Hardwood store, now called Full Circle Grocery, has reopened. The Foster City gas station is for sale and we all hope someone buys and reopens it. The Foster City grocery store was made into a bunk house by the owners of the Mill Town Inn.

Our budget for the year was amended once in January 2006. We moved \$ 3,250.00 from the Rainy Day Fund to the Roads Maintenance Fund to cover the cost of the Oakes Road paving.

#### Financial Data

	April 1, 2005	April 1, 2006
General Fund Checking	\$ 1,223.16	\$ 4,983.46
General Fund Money Market	151,868.03	53,077.42
General Fund Commercial Savings	-	99,792.78
Roads Fund Savings	27,220.55	21,287.62
Roads Fund Checking	100.75	10.57
Fire Dept. Savings	44,692.73	60,405.94
Fire Dept. Checking	1,469.35	992.39

For additional financial information, refer to the financial statements that follow.

The commercial savings was opened to move \$ 95,000 from our Money Market Fund as to not exceed the \$ 100,000 in one account allowed by the FDIC rules.

TOWNSHIP OF BREEN  
GOVERNMENT WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS TYPE ACTIVITIES	TOTAL REPORTING ENTITY
<u>ASSETS</u>			
Cash	\$ 251,854.40		\$ 251,854.40
Capital Asset - Net	<u>188,243.49</u>		<u>188,243.49</u>
 TOTAL ASSETS	 <u>\$ 440,097.89</u>		 <u>\$ 440,097.89</u>
<u>LIABILITIES</u>			
Due to Other Fund	\$ 846.66		\$ 846.66
<u>NET ASSET</u>			
Invested in Capital Assets			
Net of Related Debt	\$ 188,243.49		\$ 188,243.49
Restricted for			
Road Fund	24,697.58		24,697.58
Fire Fund	61,443.44		61,443.44
Unrestricted	<u>164,866.72</u>		<u>164,866.72</u>
 TOTAL NET ASSETS	 <u>\$ 439,251.23</u>		 <u>\$ 439,251.23</u>

The notes to the financial statements are integral part of this report.



TOWNSHIP OF BREEN  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
March 31, 2006

PROGRAM SERVICES

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Primary Government			
General Government	\$ 53,024.95		
Fire Protection	7,415.47		
Zoning Administration	1,068.50		
Street Lighting	2,089.30		
Refuse Collection	10,061.24		
Roads	55,848.49		
Special Fund	<u>1,290.00</u>		
 Total Governmental Activities	 \$ 130,797.95		

GENERAL REVENUES

Property Taxes levied for general operations  
Property Taxes levied for Roads  
Property taxes levied for Fire Fund  
State-Shared Revenues  
Unrestricted Investment Earnings  
Restricted Investment Earnings  
Other taxes and fees  
Other  
Transfer to Road Fund

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - Ending of Year

The notes to the financial statements are integral part of this report

Net (Expense) Revenue and Changes in Net Assets

CAPITAL GRANT AND CONTRIBUTIONS	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
	\$ 53,024.95		\$ 53,024.95
	7,415.47		7,415.47
	1,068.50		1,068.50
	2,089.30		2,089.30
	10,061.24		10,061.24
	55,848.49		55,848.49
	<u>1,290.00</u>		<u>1,290.00</u>
	\$ 130,797.95		\$ 130,797.95
	\$ 28,714.60		\$ 28,714.60
	28,581.23		28,581.23
	12,093.38		12,093.38
	34,406.00		34,406.00
	4,902.96		4,902.96
	191.62		191.62
	24,337.21		24,337.21
	4,000.00		4,000.00
	<u>12,290.00</u>		<u>12,290.00</u>
	\$ 149,517.00		\$ 149,517.00
	18,719.05		18,719.05
	<u>233,135.35</u>		<u>233,135.35</u>
	<u>\$ 251,854.40</u>		<u>\$ 251,854.40</u>

TOWNSHIP OF BREEN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
March 31, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Investments (Note C)				
Unrestricted	\$165,713.38	\$ -	\$ -	\$165,713.38
Restricted		24,697.58	61,443.44	86,141.02
Due from other Funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$165,713.38</u>	<u>\$24,697.58</u>	<u>\$61,443.44</u>	<u>\$251,854.40</u>
 <u>LIABILITIES</u>				
Due to other funds	\$ 846.66	\$ -	\$ -	\$ 846.66
 <u>FUND BALANCE</u>				
Reserved for				
Capital Projects	\$ -	\$24,697.58	\$ -	\$24,697.58
Other Purposes	-	-	61,443.44	61,443.44
Unrestricted	<hr/> 164,866.72	<hr/> -	<hr/> -	<hr/> 164,866.72
TOTAL FUND BALANCES	<u>\$164,866.72</u>	<u>\$24,697.58</u>	<u>\$61,443.44</u>	<u>\$251,007.74</u>
TOTAL LIABILITIES AND BALANCES	<u>\$165,713.38</u>	<u>\$24,697.58</u>	<u>\$61,443.44</u>	<u>\$251,854.40</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF BREEN  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
March 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	TOTAL GOVERNMENTAL FUNDS
<b><u>REVENUES</u></b>				
Current Property Tax	\$ 28,714.60	\$ 28,581.23	\$ 12,093.38	\$ 69,389.21
State Shared Revenues	34,406.00			34,406.00
Unrestricted investment earnings	4,902.96			4,902.96
Restricted investment earnings		52.69	138.93	191.62
Other taxes and fees	24,337.21			24,337.21
Transfers to fund		12,290.00		12,290.00
Other	-	-	4,000.00	4,000.00
	<u>-</u>	<u>-</u>	<u>4,000.00</u>	<u>4,000.00</u>
<b>TOTAL REVENUES</b>	<b>\$ 92,360.77</b>	<b>\$ 40,923.92</b>	<b>\$ 16,232.31</b>	<b>\$ 149,517.00</b>
<b><u>EXPENDITURES</u></b>				
Current Operating				
General Government	\$ 53,024.95	-	\$ 1,474.46	\$ 54,499.41
Police Protection	540.00	-	-	540.00
Fire Protection	5,941.01	-	-	5,941.01
Zoning Administration	1,068.50	-	-	1,068.50
Street Lighting	2,089.30	-	-	2,089.30
Refuse Collection	10,061.24	-	-	10,061.24
Roads		43,558.49	-	43,558.49
Recreation and Maintenance	750.00	-	-	750.00
Transfers to other Funds	12,290.00	-	-	12,290.00
	<u>12,290.00</u>	<u>-</u>	<u>-</u>	<u>12,290.00</u>
	<u>\$85,765.00</u>	<u>\$43,558.49</u>	<u>\$1,474.46</u>	<u>\$130,797.95</u>
Excess of Revenues Over (Under)				
Expenditures	\$ 6,595.77	\$ (2,634.57)	\$ 14,757.85	\$ 18,719.05
Fund Balance April 1, 2005	<u>159,117.61</u>	<u>27,332.15</u>	<u>46,685.59</u>	<u>233,135.35</u>
Fund Balance March 31, 2006	<u>\$ 165,713.38</u>	<u>\$ 24,697.58</u>	<u>\$ 61,443.44</u>	<u>\$ 251,854.40</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF BREEN  
FIDUCIARY FUND STATEMENT OF NET ASSETS  
March 31, 2006

	PROPERTY TAX COLLECTION <u>FUND</u>
<u>ASSETS</u>	
Cash	\$ -
 TOTAL ASSETS	 <u>\$ -</u>
 <u>LIABILITIES</u>	
Due to Other Fund	<u>\$ -</u>

The notes to the financial statements are integral part of this report.

TOWNSHIP OF BREEN  
NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit.

**A. Reporting Entity**

The Township of Breen is located in Dickinson County of the State of Michigan. The Township of Breen is a general law township and operates under the direction of an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the governmental-wide financial statements to emphasize it is legally separate from the government.

**Blended Component Unit** - A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement (GASB) No. 14 "The Financial Reporting Entity", these financial statements present the township. The criteria used by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported in the audited financial statements for the Township of Breen.

**Discretely Presented Component Units** - The discretely presented component unit is an entity that is legally separate from the Local Government Unit, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

There are no discretely presented component units reported in the audited financial statements for the Township of Breen.

**Jointly Governed Organizations** - A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture

TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The Township has created several types of funds. The Township follows GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 adds the following components to the financial statements.

Management's Discussion and Analysis (MD&A)

MD&A is a narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Budgetary comparison schedule

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

There were three cases in the General Fund where the expenditures exceeded the budget. The clerk's expenditures exceeded the budget by \$ 1,006.18, the constable's expenditures exceeded the budget by \$ 40.00 and there was a transfer to the Road Fund that exceeded the budget by \$ 12,290.00.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township of Breen property tax is levied on each December 1, on the taxable valuation of property (as defined by State statutes) located in the Township of Breen as of the preceding December 31.

Although the Township of Breen 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township of Breen's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Township of Breen totaled \$13,025,420 on which ad valorem taxes levied consisted of 1.2826 mills for the Township of Breen operating purposes, 2.0000 mills for the Road Fund, 0.9689 mills for the Fire Fund raising \$ 16,665.57 for operating, \$ 25,992.91 for the Road Fund and \$12,592.24 for the Fire Fund. These amounts are recognized in the respective General, Road and Fire Funds financial statements as tax revenue.

The government reports the following major governmental funds:

THE GENERAL FUND

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For reporting purposes, the General Fund is always considered to be a major fund.

SPECIAL REVENUE FUNDS

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's Road Fund and Fire Fund are Special Revenue Funds.

The Road Fund and Fire Fund are considered to be major funds for reporting purposes.

DEBT SERVICE FUND

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

There is currently no debt service fund for the Township.

CAPITAL PROJECTS FUND

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grant from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

There is currently no capital projects fund for the Township.

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

There is currently no Enterprise Funds.

TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's Current Tax Collection Fund is a Fiduciary Fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

The Township does not have expendable trust funds.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., road, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building	30 to 50 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) - The Township has no employees eligible to accrue vacation or sick pay.

Long-Term Obligations - The Township does not have long-term obligations.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The following procedures are followed in establishing the budgetary date reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 1, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

Encumbrance - Encumbrance accounting, under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

The Township does not use encumbrance accounting.

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 12,843.18	\$ -	\$ 12,843.18
Savings	152,870.20		152,870.20
Restricted	<u>86,141.02</u>	<u></u>	<u>86,141.02</u>
Total	<u>\$ 251,854.40</u> =====	<u>\$ -</u> =====	<u>\$ 251,854.40</u> =====

The bank deposit of the primary government's deposits is \$ 251,854.40 of which \$ 251,854.40 is covered by federal depository insurance.

TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (Cont.)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Township or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

Based on these levels of risk, all of the Township's investments are classified under the credit risk 1.

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Land and Buildings	\$ 79,043.00	\$ -	\$ -	\$ 79,043.00
Furniture, Fixtures and Equipment	77,776.00			77,776.00
Roads	-	43,558.49	-	43,558.49
Subtotal	\$156,819.00	\$43,558.49	-	\$200,377.49
Less Accumulated Depreciation for Furniture, Fixtures and Equipment	-	\$ -	(7,778.00)	\$( 7,778.00)
Road	-	(4,356.00)	-	( 4,356.00)
Total Accum. Depr.	-	\$(4,356.00)	(7,778.00)	\$(12,134.00)
Total Capital Assets - Net Of Depreciation	\$156,819.00	\$39,202.49	(7,778.00)	\$188,243.49
	=====	=====	=====	=====

NOTE 5 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

TOWNSHIP OF BREEN

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2006

NOTE 6 - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there are no related party transactions reported in the financial statements.

NOTE 7 - PENSION PLAN

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the year ended March 31, 2006 was \$ 812.

TOWNSHIP OF BREEN  
BUDGETARY COMPARISON SCHEDULE  
Year ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources				
Current Property Tax	\$ 16,500.00	\$ 15,800.00	\$ 15,843.90	\$ (43.90)
Delinquent Property Tax	1,000.00	1,000.00	1,048.94	(48.94)
Swampland Tax	11,500.00	11,800.00	11,821.76	(21.76)
Sales Tax	34,000.00	34,400.00	34,406.00	(6.00)
Interest	4,800.00	4,900.00	4,902.96	(2.96)
Other	<u>38,103.75</u>	<u>39,850.00</u>	<u>24,337.21</u>	<u>15,512.79</u>
Amounts Available for Appropriations	\$ 105,903.75	\$ 107,750.00	\$ 92,360.77	\$ 15,389.23
Charges to Appropriations				
General Government				
Township Board	\$ 24,500.00	\$ 24,500.00	\$ 14,856.15	\$ 9,643.85
Supervisor	2,900.00	4,900.00	4,844.22	55.78
Elections	1,500.00	3,000.00	1,194.15	1,805.85
Assessor	7,000.00	6,500.00	6,057.00	443.00
Clerk	2,700.00	5,200.00	6,206.18	(1,006.18)
Board of Review	1,500.00	1,500.00	451.22	1,048.78
Treasurer	9,700.00	9,700.00	9,592.90	107.10
Township Hall & Grounds	9,000.00	9,000.00	6,880.98	2,119.02
Cemetery	7,500.00	7,500.00	2,942.15	4,557.85
Constables	453.75	500.00	540.00	(40.00)
Fire Protection	7,000.00	7,000.00	5,941.01	1,058.99
Sanitary Landfill	14,000.00	14,000.00	10,061.24	3,938.76
Zoning Administration	2,150.00	2,200.00	1,068.50	1,131.50
Street Lighting	2,500.00	2,500.00	2,089.30	410.70
Other Expense	13,500.00	9,750.00	750.00	9,000.00
Transfers - Road Fund	<u>-</u>	<u>-</u>	<u>12,290.00</u>	<u>(12,290.00)</u>
	<u>\$ 105,903.75</u>	<u>\$ 107,750.00</u>	<u>\$ 85,765.00</u>	<u>\$ 21,985.00</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 6,595.77	\$ (6,595.77)
Fund Balance April 1, 2005	<u>159,117.61</u>	<u>159,117.61</u>	<u>159,117.61</u>	<u>-</u>
Fund Balance March 31, 2006	<u>\$ 159,117.61</u>	<u>\$ 159,117.61</u>	<u>\$ 165,713.38</u>	<u>\$ (6,595.77)</u>

Notes to the financial statements are an integral part of this report.



**TOWNSHIP OF BREEN**  
**BUDGETARY COMPARISON SCHEDULE**  
**March 31, 2006**

Road Fund				
	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
<b><u>REVENUES</u></b>				
Current Property Tax	\$ 35,400.00	\$32,000.00	\$28,581.23	\$ 3,418.77
Restricted investment earnings			52.69	(52.69)
Other				
Transfers to fund	<u>-</u>	<u>12,000.00</u>	<u>12,290.00</u>	<u>(290.00)</u>
<b>TOTAL REVENUES</b>	<b>\$ 35,400.00</b>	<b>\$ 44,000.00</b>	<b>\$ 40,923.92</b>	<b>\$ 3,076.08</b>
<b><u>EXPENDITURES</u></b>				
Current Operating				
Equipment				
Roads	<u>35,400.00</u>	<u>44,000.00</u>	<u>43,558.49</u>	<u>441.51</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 35,400.00</b>	<b>\$ 44,000.00</b>	<b>\$ 43,558.49</b>	<b>\$ 441.51</b>
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (2,634.57)	\$ 2,634.57
Fund Balance April 1, 2005	<u>27,332.15</u>	<u>27,332.15</u>	<u>27,332.15</u>	<u>-</u>
Fund Balance March 31, 2006	<u>\$ 27,332.15</u>	<u>\$ 27,332.15</u>	<u>\$ 24,697.58</u>	<u>\$ 2,634.57</u>

The notes to the financial statements are an integral part of this report.

Fire Fund			
<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with <u>Amended Budget</u>
\$ 12,000.00	\$ 12,000.00	\$ 12,093.38	36,093.38
130.00	130.00	138.93	398.93
	4,000.00	4,000.00	8,000.00
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
12,130.00	16,130.00	16,232.31	(102.31)
2,000.00	2,000.00	1,474.46	525.54
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,000.00</u>	<u>2,000.00</u>	<u>1,474.46</u>	<u>525.54</u>
10,130.00	14,130.00	14,757.85	(627.85)
<u>46,685.59</u>	<u>46,685.59</u>	<u>46,685.59</u>	<u>-</u>
<u>56,815.59</u>	<u>60,815.59</u>	<u>61,443.44</u>	<u>(627.85)</u>